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POSTAL RATE COMMISSION
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

FIRST SET OF INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA TO USPS WITNESS BRADLEY (MPA/USPS-T13-1-2)

(September 17, 1997)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached interrogatories to USPS witness Bradley (MPA/USPS-T13-1-2).

Respectfully submitted,

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INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA TO UNITED STATES POSTAL SERVICE WITNESS BRADLEY

MPA/USPS-T13-1. Please refer to your direct testimony at page 18, lines 15-16, and confirm that the annual cubic foot-miles variable for a route is calculated as the product of the average truck capacity (in cubic feet) on the route and the annual miles on that route. If you do not confirm, please explain.

a Please confirm that the purpose of your testimony is to estimate the volume variability of purchased highway transportation costs. If you do not confirm, please explain.

b Please confirm that your CFM variable reflects the cubic capacity of the *truck*, rather than the actual volume of *mail*, on a route. If you do not confirm, please explain.

c Your testimony at page 12, lines 14-24 and page 18, lines 10-16, seems to indicate that the HCSS data set does not contain mail volume variables Is that a correct supposition? If not, please explain.

d Please confirm that in his study of the volume-variability of vehicle service driver costs, witness Wade's analysis relies on the estimated actual volume of mail on a route (see his Workpaper C at page 2, lines 16-17). If you do not confirm, please explain.

e. If HCSS contained volumes, would it have been preferable to have used actual volumes rather than truck capacities in calculating cubic foot-miles for your regression analysis? Please explain why or why not.

f. Does your methodology, in effect, assume 100 percent capacity utilization of the trucks in the purchased highway transportation network? If your answer is anything other than an unqualified "yes," please explain fully.

g To the extent that the trucks in the purchased highway transportation network operate at less than 100 percent of their rated capacity, do your volume variability estimates overstate the true variabilities? Please explain fully

MPA/USPS-T13-2. Please refer to your direct testimony at pages 46-50, where you discuss your decision to remove a number of "unusual" observations from your data set prior to performing your regression analysis, and the impact of this decision on your estimated variabilities.

a. Please confirm that your analysis of "unusual" observations identified anomalies along the following dimensions: (I) extremely low annual cost, (ii) extremely low annual CFM, (iii) extremely long or short route length, (iv) extremely low annual miles, (v) extremely high or low cost per CFM, and (vi) extremely high or low cost per mile. If you do not confirm, please explain.

b Please describe the method you used to identify these unusual observations along each of these dimensions, including (but not limited to) the ranges of values you chose to include and exclude, the cutoff values you chose in defining the zones of exclusion, and your justification for these cutoff values.

c. At page 48, lines 1-3, of your direct testimony you state that "there should always be a presumption for using valid observations, *even if the values for a particular observation are not typical of the rest of the data*" (emphasis added). At lines 3-4 of the same page, you state that "if the data are from special cases...their use could, potentially, lead to misleading results." Please explain how the values for particular observations could be atypical of the rest of the data without being "special cases."

d. Could other knowledgeable, well-intentioned researchers, faced with the same data set and charged with the same task (namely, HCSS and calculating purchased transportation variabilities, respectively) come up with a different set of "unusual observations" to delete? Might such a researcher decide to leave said variables in the analysis?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

James R. Cregan

Washington, D C.
September 17, 1997